



Be Smart Buy Smart

What Smart Shoppers Know About Telemarketing

Basic Facts

- Telemarketers are people who sell things over the telephone.
- Although many telemarketers sell legitimate products from lawful companies, disreputable telemarketers using false and deceptive sales practices have cost consumers at billions of dollars a year.
- A Louis Harris Survey conducted for the National Consumers League found that 92 percent of adults in the United States reported receiving fraudulent telephone offers.

Although fraud is rampant, prevention is as easy as hanging up the phone.

Basic Advice

- Don't buy or make any commitment during the call.
- Ask the telemarketer to send you written information about the product, service or investment. Verify the claims made in the written material and check out the company's reputation.
- Don't give out your credit card number unless you have checked out the company and its claims or have had a satisfactory business experience with it before.
- Never give out your bank account number to anyone who calls you on the telephone.
- Be wary about promotions that require you to call a "900" or "976" number. You may run up a large telephone bill and get little in return. You can hang up without charge right after you hear the cost disclosure at the beginning of the call.

Fraudulent "Phone-ies" Typical Telemarketing Scams

Investment Rip-Offs. This type of scam may promise great returns to people who are willing to make "guaranteed" or "can't lose" investments in things such as gold, silver, and other metals, coins, stamps or oil and gas well leases. Precious metals often are sold using bank financing or "leveraged contracts" (a small investment controlling a large amount of metals). The loan fees or other sale charges can quickly erode any potential profit even if the company is legitimate. Oil and gas well leases are often pitched as solid investments, when in fact the wells may be either non-existent or non-productive. Rare coins are often extremely overpriced, of poor quality, or never delivered.

Advice: Ask for a prospectus. If the telemarketer is selling an investment in gold, oil, gas, real estate, or precious gems, ask if the investment opportunity is registered with the California Department of Corporations, the Securities Exchange Commission, or the Commodity Futures Trading Commission. Confirm that the investment is in fact registered as represented by the caller. Invest only in a registered investment and only after reading a prospectus. Or just hang up.

"Free" Prize Swindles. You may receive a postcard or letter saying you have won a free prize and to call a phone number to claim the prize. You may pay for the call but never receive a prize. Or, you may be told that

***Fraudulent
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(cont.)***

you have to pay the shipping costs of the prize. For example, you might pay \$70 to \$300 to ship a boat that you have won. If you get anything at all, the boat may turn out to be a rubber raft. Or, the cash prize you have won may turn out to be a certificate that cannot be redeemed until you have purchased hundreds of dollars worth of overpriced merchandise.
Advice: This is a very common scam. Just hang up.

Vacation Victimization. You may be required to reserve your free vacation by sending in some money. Next, you may have to purchase a second ticket for the price of two. You may pay all of this and still not get a vacation. Or, you may receive a postcard instructing you to call a phone number, usually toll-free, for details about your free vacation. When you call, you may be told that you must join the company’s travel club to be eligible for the free trip. You may be asked to pay a membership fee of anywhere from \$50 to \$400. Either way, you may end up spending more money for the vacation than you would have if you planned a vacation using widely advertised hotel/airfare vacation packages.

Advice: This is another common scam. Get the complete details in writing. If the travel involves air or sea transportation, check that the company is registered with the California Attorney General’s Office. Get a copy of the Department’s fact sheet, “Ten Tips to Avoid Travel Scams.” Or just hang up.

Credit Card Cheats. Telemarketers may ask you for your credit card number because they have a “free gift for credit card holders.” They may tell you that after your number is verified you’ll be sent a gift. In reality, they may use your credit card to purchase the “gift” or to make other charges to your account. Another common scam is a caller, or a recorded message, who may inform you that you can obtain a secured credit card. A secured credit card is one that requires you to deposit a cash amount equal to the amount of credit the lender is extending. Although these cards are widely advertised, you may find that you have paid \$60 (usually through “900” number charges) just to get the name of the bank.

Advice: Never give out your credit card or bank account number. Ask for information to be mailed, and check out the company with the Better Business Bureau. Or just hang up.

Magazine Sales Dupes. The telemarketer may offer you a “free,” “pre-paid,” or “special deal” on magazine subscriptions. You may be encouraged to make a purchase without being told the total cost. For example, you may be offered magazines for just a few dollars a week. This may sound like a bargain until you realize that you could be paying hundreds of dollars for subscriptions that regularly may sell for less. Or, the telemarketer may say you’ll be buying multiple-year subscriptions for a package of magazines, when many of these subscriptions may in fact be sent to you for a shorter time.

Advice: Ask for information to be mailed, and check out the company with the Better Business Bureau. Or just hang up.

Health Products Fraud. Telemarketers may pitch overpriced vitamins, skin care products, and water treatment devices, usually in combination with an expensive sounding, but almost worthless, prize. Sometimes the telemarketer may make phony health claims or use scare tactics.

Advice: Ask for information to be mailed, and check out the company with the Better Business Bureau. Or just hang up.

Sympathy/Charitable Organization Scams. Some companies sell light bulbs, trash bags, or other products at five to twenty times their regular price and claim they are benefiting the handicapped. In reality, the profits may go to the company. Or telemarketers may use a name similar to that of a reputable organization, such as the “American Cancer Center” instead of the American Cancer Society, or imply that they are associated with a public charity or service, such as the “Police Department Support Center.” Advice: Ask for information to be mailed. Make sure the charity is registered with the Attorney General’s Registry of Charitable Trusts before you donate. Or just hang up.

Legal Requirements for Telemarketers

Business and Professions Code sections 17500.3, 17511 et. seq.

- A telemarketer must tell you his or her name, the name of the company, and the name of the product.
- If the telemarketer intentionally fails to do these things and you buy something, you may be able to sue the company for twice the amount of the sale price or \$250, whichever is more.
- Certain telemarketers are required by law in California to register with the Attorney General, but registration alone doesn’t mean that the business is legitimate.
- Generally, a telemarketer cannot solicit the sale of goods or services using a prerecorded message unless an unrecorded, natural voice informs the recipient of the caller’s name or organization, and unless the recipient consents to listen to the message.

Before You Buy

- If you’ve never done business with the company, ask the business to mail you information about the company. If it won’t, don’t buy.
- Don’t allow a salesperson to rush you into purchasing a product or making an investment. Fraudulent telemarketing businesses want to get your money as quickly as possible.
- Check on the reputation of the company. Call the Better Business Bureau in the area where the company is located (listed in the white pages of your phone book). However, if the Better Business Bureau has not received complaints against the company, this doesn’t mean that there haven’t been any. You may also wish to contact the Federal Trade Commission and your local district attorney.
- Get the physical address from which the company conducts its business. Be especially cautious if the only address the salesperson gives you is a post office box. However, even an address that appears [not to be a post office box may in fact be a private post office box](#).
- Check the telephone directory or call directory assistance to find out if the company is listed. Often, un reputable companies won’t be listed.

Credit Card Numbers and Bank Account Numbers

15 United States Code sections 1666, 1666i; Federal Reserve Regulation Z; 12 Code of Federal Regulation sections 226.12(c) and 226.13; and Civil Code section 1747 et. seq.

It’s not a good idea to give the telemarketer your credit card or bank account number, unless you have done business with the company before and were satisfied with the service. A disreputable company may charge purchases to your card that you did not order, or may give or sell your card number to other companies. Never give your bank account number to a telemarketer.

Federal and state laws offer you some protection if you do use your credit card to buy something over the telephone. If you don’t receive what you ordered, the product is not what you were told it is, or you didn’t order the product, you may not have to pay for it. You have 60 days after the charge

Credit Card Numbers and Bank Account Numbers (cont.)

Where To Go For Information and Help

first appears on your bill to request that your account be credited. Write a letter to the bank or company that issues the credit card. Be sure to include your name and account number. Explain the situation and ask the bank to credit your card for the amount of the charge. Ask your bank if it provides other refund or credit options.

For more information, request the Department's publication "How to Withhold Payment on a Credit Card."

To Stop the Calls

- You have three options to reduce unwanted calls. Under the Telephone Consumer Protection Act of 1991, and the FTC's Telemarketing Sales Rule, you can ask that companies put you on their "do not call" list. To exercise this right, specifically ask to be put on the "do not call" list, don't just say that you're not interested. Keep a list next to the phone with the company names and dates. If you are called again on behalf of those companies, report it to your state Attorney General and the Federal Trade Commission.
- You may also sign up for the Direct Marketing Association's Telephone Preference Service at Post Office Box 9014, Farmingdale, NY 11735-9014. DMA member companies that participate in this industry-sponsored program will put you on their "do not call" lists.
- If you are repeatedly called by fraudulent telemarketers, you may want to consider changing your phone number and having your new number not listed.

For Information And/Or To File Complaints

- Your local district attorney (look in the white pages of your phone book under county government)
- California Department of Justice, Office of the Attorney General, Public Inquiry Unit, 1515 K Street, Post Office Box 944255, Sacramento, CA 94244-2550, 916-322-3360, 1-800-952-5225.
- Federal Trade Commission, 415-356-5270 (Northern California), 310-824-4300 (Southern California), www.ftc.gov/telemarketing

For Information on Investments

- California Department of Corporations, 1-800-347-6995, www.corp.ca.gov
- Commodity Futures Trading Commission, 310-235-6783, www.cftc.gov
- Securities and Exchange Commission, 1-800-732-0330, www.sec.gov

For General Information

- California Department of Consumer Affairs, 1-800-952-5210, www.dca.ca.gov
- Better Business Bureau, www.bbb.org
- United States Postal Service, 1-800-275-8777, www.usps.gov

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